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**NEW JERSEY DEPARTMENT OF THE TREASURY**

**GLOUCESTER COUNTY IMPROVEMENT AUTHORITY**

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## INTRODUCTION

On May 1, 1997, the United States Court of Appeals for the Third Circuit affirmed a District Court Ruling that a principal element of the State of New Jersey's waste flow control regulations, specifically N.J.A.C. 7:26-6.5, is unconstitutional as it discriminates against out-of-state operators of waste disposal facilities. The Third Circuit also eliminated the two-year transition period, necessitating that each county must now reevaluate its solid waste strategy in light of the new timeline directed by the Court. On November 10, 1997, the United States Supreme Court denied the State's petition for certiorari such that the Third Circuit's decision is final. In order to provide an orderly transition to waste disposal options, each of the State's 21 counties and the Hackensack Meadowlands Development Commission needs to develop and implement plans that address their own specific long-term solid waste disposal needs.

The federal court decisions have had an immediate pricing impact on disposal rates in the region. Public and private landfills, along with the five Resource Recovery Facilities (RRF) in the State, have seen a drop in the solid waste tipping fees assessed, in an attempt to become market competitive and sustain their current share of the solid waste disposal market. This reduction in the tipping fee is having an impact in the various counties on the ability to continue to provide environmentally sound solid waste disposal services at the lowest possible cost. Long term planning for solid waste disposal services is vital to satisfy the dual obligations to dispose of solid waste in an environmentally responsible manner and to minimize solid waste disposal costs. The economic impact may require some of the various counties to unbundle the rates for solid waste disposal through the assessment of an Environmental Investment Charge (EIC) for the full and timely recovery of debt service costs incurred to finance the establishment of the various county systems in accordance with State law and the policies of the Department of Environmental Protection. The overall costs to provide solid waste disposal will be reduced and the tipping fees to be charged for use of the facilities will be competitive in the marketplace.

It is obvious that the regional market will undergo significant transformation as the deregulation of waste flow continues. It is also obvious that tipping fees must be established to become market competitive, and that special revenue sources will be required until the county or county authorities can implement the necessary plans to become market competitive in the long term while meeting their operations and debt service requirements. A major focus of the first Local Government Budget Review Program utility report (The Union County Utilities Authority) was the opportunity to identify new sources of revenue as well as cost reductions. The focus of these Partnership Agreement Program utility reviews is short-term viability, the ability to meet debt obligations in a deregulated market, and the ability of the county or county authority to implement long term operational plans. The efforts to reduce the cost of solid waste disposal have focused on the re-negotiation of existing agreements and the possible retirement and/or restructuring of outstanding obligations. Obviously, the county or county authority must maintain competitive tipping fees and maximize all other income potential to mitigate unanticipated market changes.

## **OPPORTUNITIES FOR CHANGE**

### **Solid Waste Partnership Program The Report of the Gloucester County Improvement Authority (GCIA) Budget Review Team**

There is no doubt the cost of operating a Solid Waste Disposal System - and the rates that support it - have been steadily rising over the last decade. Now, with the legal challenges to the control of waste disposal, a special review program has been initiated to deal with the outstanding debt issued to finance solid waste systems in accordance with the Solid Waste Management Act and the Solid Waste Utility Control Act. As part of the Solid Waste Partnership Agreement Program, there is state budget language to “subsidize county or county authority debt service payments for environmental investments incurred as of June 30, 1997...in accordance with criteria and program guidelines established by the Commissioners of DEP, DCA and the State Treasurer. Expenditure of such funds are conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority, and such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer.”

This review recommends steps to be taken over the short term, but long-term implications will be considered in ongoing discussions with all entities involved in final determination of the Solid Waste Partnership Program conditions.

This review and report was completed in response to the Gloucester County Improvement Authority (“GCIA”) choosing to participate in this special review program. This is the first step in the process of the State assisting Authorities in the era of deregulation of solid waste. The GCIA will now need to evaluate its options based on these findings and recommendations and fully participate in ongoing discussions with its professional staff, consultants, facility operator, the County and the State in order to develop a final partnership agreement. If aspects of the alternatives provided need to be changed, they will become part of the dialogue between the entities involved. This Partnership Agreement Contract will ultimately be between the Department of Treasury, the Department of Community Affairs (DCA), and the Department of Environmental Protection (DEP), the County of Gloucester and the County Authority designated as the implementing agency for solid waste in Gloucester County.

To summarize the report, LGBR recommended that the GCIA receive \$800,000 towards the Authority’s September 1, 1998 debt service payment, which the Authority received. To management’s credit, they have aggressively addressed the problem of replacing a reduced market rate tip fee with additional ash tonnage to make up the difference in lost revenue. Prior to June of 1998, the GCIA received only 90,200 tons of ash, bypass waste and non-processible waste each year. The Authority did a non-discriminatory procurement, which resulted in an agreement with Wheelabrator to add 100,000 tons of ash, or approximately \$2.3 million a year, which the Authority projects will terminate the need for an environmental investment charge (“EIC”). Wheelabrator’s agreement to eliminate the non-compete clause on Construction and Demolition type waste should generate additional revenue

based on competitive pricing by the GCIA enabling the Authority to meet its annual debt service obligation.

A third strategy is discussed that essentially states that if the conduit financing, referred to immediately above, is not included in the State's consolidation of stranded solid waste debt as proposed above and contracts to secure ash and non-processible solid waste from non-county sources are lost or not secured for more than six months, the Authority should proceed with the sale of the sanitary landfill, and transform the GCIA into a county economic development engine as a financing entity for public sector initiatives. The State is supporting the forgiveness of the remaining balance of a zero interest loan. Bond Act Amendments permitting this forgiveness were authorized through a public referendum in November, 1998. All proceeds from the sale would be used to buy down the Authority's outstanding debt and any remaining debt would need to be funded through the issuance of county appropriation bonds or abandonment bonds such as those employed in Mercer County. The sale of the landfill would offer an opportunity for one of the two privately run incinerators, Wheelabrator in West Deptford or Foster Wheeler in Camden, or a large contract hauler (ex. Waste Management Inc., Browning-Ferris) to develop a regional solid waste management system.

The table presented on the following two pages provide a revenue and expenditure proposal based on the recommendations included in this report and progress of negotiations with Wheelabrator as of August 28, 1998 who is the apparent winning bid on the GCIA's re-procurement contract for receiving processible and bypass solid waste tonnage generated in Gloucester County. Under GCIA's plan, the annual subsidy will be addressed through increased C&D type waste deliveries based on competitive pricing, in order to terminate the environmental investment charge ("EIC") as of December 1, 1998.

## **BACKGROUND**

The Gloucester County Improvement Authority ("GCIA") was created by Resolution of the Board of Chosen Freeholders dated December 19, 1963. The Authority has the power to acquire, construct and equip any "public facility," as defined in the Act (Chapter 183 of the Pamphlet Laws of 1960, State of New Jersey). The Authority is governed by a five member Board of Commissioners appointed to five-year terms by the Board of Chosen Freeholders.

As in prior reports prepared by Local Government Budget Review ("LGBR"), a benchmark is established for comparative purposes, which measures progress toward the goal of a tip fee reduction. At the GCIA, for every \$90,200 in cost reductions or revenue enhancements, the tip fee is reduced by \$1. Based on the previous tip fee of \$56.36 per ton for ash disposal at the landfill and the present tip fee of \$25.34 per ton, the Authority will need to lower annual expenditure obligations by \$31.02 per ton, or \$2,798,004.

*NOTE: Non-processible solid waste and by-pass waste from the incinerator will continue to be charged at the rate of \$56.36 per ton which was in effect prior to the Atlantic Coast Decision. As a result, income from these sources is projected to remain constant and only*

*income from ash tonnage has been affected by the tip fee reduction from \$56.36 to \$25.34.*

As a result of the November, 1997 decision by the United States Court of Appeals for the Third Circuit affirming the decision of the United States District Court declaring New Jersey's solid waste flow regulations (N.J.A.C. 7:26-6.5) to be unconstitutional, the GCIA finds itself in a financially delicate situation. First, flow control was terminated in exchange for competitive pricing amongst competing solid waste disposal interests. Tip fee rates fell dramatically to a market driven rate. Wheelabrator Gloucester Company, L.P., owner and operator of the Resource Recovery Facility ("RRF"), found itself no longer contractually obligated to deliver fly ash to the Gloucester County's solid waste sanitary landfill located in South Harrison Township. The GCIA, in response to the Atlantic Coast decision, attempted to compete with Wheelabrator as an alternative municipal solid waste disposal facility with more attractive rates. In a lawsuit brought against the GCIA by Wheelabrator, the Court determined that the Authority cannot compete for municipal solid waste under an agreement adopted June 22<sup>nd</sup>, 1988 (refer to section on SES Incinerator Agreement). Finally, the GCIA is attempting to negotiate with the Camden County Resource Recovery Facility for 9,000 tons of ash that is presently being transported to Rolite for ultimate use in capping landfills. The potential for severing that relationship will be based on two issues: (i) price of disposal and transport; and (ii) being able to avoid a potential legal challenge if Camden County chooses to go to GCIA to dispose of its ash. There is a possibility of splitting the ash with Rolite. The current agreement guarantees 5,000 tons per month to Rolite and the remaining 4,500 tons is excess that can go anywhere. According to GCIA officials, they have an agreement that will initiate the delivery of 4,000 tons of Camden County ash to begin in the latter part of June at a rate of \$20 per ton, or \$480,000 dollars for the balance of 1998.

*NOTE: Browning Ferris, in conjunction with American Ref Fuel of Chester, Pennsylvania, has recently agreed to deliver 200 tons of ash per day from their transfer station to the GCIA landfill. This agreement runs through October of 1998 which is equivalent to 9,000 tons at a rate of \$24.50 per ton or \$220,500.*

*In addition, Wheelabrator has offered as part of their negotiating position with the GCIA to direct an additional 150,000 tons of ash a year to the Authority's landfill. The source of the ash has not been disclosed as of this date.*

As stated previously, it is to management's credit that the Authority has aggressively addressed the problem of replacing a reduced market rate tip fee with new streams of revenue to make up the difference.

## SES GLOUCESTER COMPANY PROJECT

In 1988, the GCIA issued \$63.7 million in Solid Waste Recovery Revenue Bonds for SES Gloucester Company, L.P. a subsidiary of Wheelabrator Technologies, Inc., to acquire, construct and equip a 575 ton-per-day, 200,000 tons per annum, solid waste disposal and electric generating facility. An agreement with Wheelabrator states that the Authority will not compete with the incinerator for processible municipal solid waste.

The specific agreement GCIA signed stipulates that “the Authority shall not hereafter construct, acquire or operate, permit or, to the extent permitted by law, consent to the construction, acquisition or operation of any plants, structures, facilities or properties that may compete or may tend to compete with the Facility (“solid waste disposal, steam and electricity generation facility”). Further, the Authority shall make all reasonable efforts to assure and secure that (a) acceptable and processible solid waste which is generated within the geographic boundaries of the County, and (b) acceptable and processible solid waste which is to be processed or disposed of in the County, shall be delivered to the Facility [other than bypassed waste].”<sup>1</sup>

The Authority’s effort to challenge the legality of the agreement has not been successful. The GCIA attempted to demonstrate that the Atlantic Coast decision made all agreements related to the control of where solid waste is disposed null and void. The Court determined that the agreement was outside the purview of the Atlantic Coast decision and that the agreement containing the no compete clause was entered into with the full support of the Authority’s Board of Commissioners over the objection and concerns of the legal team reviewing the contract language.

As a result, the Authority was operating under an oral agreement with Wheelabrator to receive ash from the RRF until July 1, 1998.

The Authority has been notified that Fuji Bank, Limited, New York Branch, will reissue a Letter of Credit for one year that is up for renewal on July 8, 1998. If the letter of credit were not renewed, then the agreement would have been declared null and void and the GCIA could proceed to market the landfill in competition with Wheelabrator.

*NOTE: “The Letter of Credit permits Summit Bank, successor Trustee to United Jersey Bank, to draw an amount sufficient to pay the aggregate principal amount of the 1992 Bonds and up to 210 days of accrued interest.” Page 7, 1992 Bond Issue Prospectus.*

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<sup>1</sup> Bond Prospectus, Gloucester County Improvement Authority issue for \$63.7 million of debt associated with the RRF, Section 611, page A-14.

It is recommended that the GCIA:

- proceed with obtaining necessary plan amendment and McEnroe approvals;
- target potential clients outside of the County that can attract municipal solid waste in excess of the incinerators capacity such that bypass tonnage can be directed to the landfill; and
- use the re-procurement process as an avenue to insure the direction of tonnage within the County as part of the negotiations for developing a strategic partnership.

To reemphasize an earlier comment, the GCIA must take some dramatic steps to bring some stability and income into the Authority to meet its expenditure obligations. Of greatest importance, the non-compete clause must be overcome. The only reason Wheelabrator may consider eliminating the non-compete clause is the potential for a long-term financial gain.

- NJDEP review guarantees a minimum of 180,000 tons of processible municipal solid waste would be delivered annually to Wheelabrator from in-County municipalities through the imposition of a re-procurement agreement to reestablish flow control in Gloucester County.
- Wheelabrator guarantees 100% of all ash generated at the incinerator be delivered to the GCIA landfill.
- The GCIA can compete for processible municipal solid waste in excess of the 180,000 ton guarantee and/or additional C&D waste tonnage.

### **GCIA OPTIONS EVALUATED**

The GCIA looked at seven alternative strategies for addressing the loss of tonnage and revenue and stranded debt problems. The seven alternatives included:

#### ***1. Open Landfill for all Gloucester County Waste***

The GCIA has been enjoined from accepting processible solid waste as stipulated in the SES agreement discussed in the previous section on page 3.

#### ***2. Acquire Additional Ash as Revenue Source***

The GCIA hired James C. Anderson Associates, Inc. ("JCA") to determine the amount of fly ash and incinerator ash available for landfilling within a 100-mile radius of the GCIA landfill. JCA identified 1,470,000 tons of ash being generated within the target area. They found that fly ash and bottom ash are becoming increasingly valuable as a recyclable material. Incinerator ash, which is the least available, presently has a minimal beneficial reuse as a landfill cover that requires heavy monitoring for heavy metal contamination. JCA projects that the market for ash will only get tighter as new uses for the material as a recyclable material are developed.

### **3. *Refinance Debt***

The GCIA refinanced its solid waste debt related to the landfill in 1992. As a result, a second refinancing would terminate the tax exempt status of the debt and would raise the interest costs on that debt. An analysis prepared by Whelan Financial Group, Inc., determined that a refinancing would have an annual impact of more than \$170,000 per year or approximately \$2 million over the life of the issue.

**We reserve the right to recommend refinancing through the State sponsored issuance, upon passage of State legislation, which would eliminate the Authority's debt service reserve and includes an extension of debt service payments over a period of time deemed appropriate by the State Treasurer.**

### **4. *Closing of Landfill***

The GCIA contracted with JCA to analyze the cost of closing the landfill and implementing post-closure proceedings. Total closure costs are estimated to be \$7.5 million and post-closure monitoring \$16.2 million for the next thirty years for a total of \$23.7 million.

The Authority has accumulated only \$2,708,775 towards its closure obligations.

### **5. *Out of County Contracts***

The Authority was evaluating the possibility of attracting out-of-county municipal solid waste, however, the recent Gloucester County Superior Court decision to enjoin the GCIA from accepting municipal solid waste at the sanitary landfill as a violation of the non-compete clause in an agreement between Wheelabrator and the Authority eliminates the Authority's chances of proceeding with this alternative.

### **6. *Purchase of Incinerator***

The GCIA evaluated the opportunity for potentially acquiring the Resource Recovery Facility owned and operated by Wheelabrator Technologies Inc. Wheelabrator did not indicate interest in considering the possibility for sale and the initiative has since been tabled.

### **7. *Sale of Landfill***

The GCIA Executive Director indicated that the Authority has agreed to proceed with a market analysis of the 420 acre sanitary landfill site, 54 acres of which are being used for solid waste disposal and 16 acres for the siting of a maintenance garage and a scale house. However, as of the date of this report, there has been no initiation of a contract for a market appraisal. The Executive Director of the Authority and the County Administrator of Gloucester County have indicated that the possible sale of the landfill has been "put on the street" with a variety of vendors who might be interested.

The County Administrator also stated that it may be difficult to proceed with a sale due to a number of commitments made by the County and the GCIA to the South Harrison Township Council and public interest groups about the type of materials that may be landfilled.

**We recommend that the authority proceed with:**

- **the reprocurement of all processible waste generated within the county**
- **seek acquisition of additional ash and nonprocessable waste to increase revenues**

**We also recommend that in the event the Authority proceeds with a sale of the landfill, the proceeds of the sale be used to write down the Authority's debt. Finally, if at any time in the future additional assets purchased with solid waste debt or any other accounts funded by solid waste debt are identified by the State, including settlement proceeds and court awards, we reserve the right to recommend the use of these proceeds to further reduce the debt obligation of the county or county authority.**

## **WASTE FLOW CONTROL**

The GCIA initiated a non-discriminatory bid process to regulate the movement of all processible waste generated within the County. The process will entail the re-procurement for the disposal of all county generated municipal solid waste through a public bid process that allows the Authority to secure solid waste disposal services from one or more vendors to meet the disposal capacity requirements of the county. Having completed this process, the GCIA will be able to legally enforce waste flow control to one or more disposal sites.

It is intended that this process would secure for municipalities in the county a very cost competitive price for disposal from one or two vendors, with Wheelabrator being one of those options.

Enforcement of waste flow control could be handled through the County Health Department such that the GCIA would not need to duplicate this effort.

**The Authority has completed the bid process, currently being reviewed by the appropriate agencies, for procurement for processibles only that complies with the laws governing public contracts and may offer a competitive market rate for solid waste disposal services for all municipalities in the County.**

## **ENVIRONMENTAL INVESTMENT CHARGE (EIC)**

The GCIA received approval for the implementation of an EIC from the Local Government Finance Board, Department of Community Affairs, State of New Jersey, in January of 1998. The request was to assess \$21.96 per ton that incorporated the following charges:

<b>Fixed Costs Included in EIC</b>	<b>Amount</b>
Debt Service – Series A – P&I	\$2,798,996
Debt Service – Series C – P (Zero Interest Loan, NJDEP)	500,000
Insurance	276,400
Laboratory Services	60,200
Engineering Services	50,000
Permits & Fees	170,000
Enforcement	222,014
Leachate Hauling	170,000
Leachate Treatment	395,000
Methane	13,500
<b>TOTAL EIC Charges</b>	<b>\$4,656,110</b>

*NOTE: EIC related charges include leachate treatment. GCIA officials indicated that the Authority gets free treatment service at the GCUA in exchange for free dumping of incinerator ash at the landfill. EIC charges are overstated by this amount.*

$$\$4,656,110 \text{ EIC} / 212,000 \text{ tons} = \$21.96$$

*The \$21.96 EIC reflects:*

- \$15.56 for annual debt service payments; and
- \$6.40 for non-debt related charges.

*Forgiveness of the state zero interest loan would reduce the debt obligation by \$2.36 per ton.*

NJDEP approved the implementation of an EIC on June 5, 1998 when it certified a May 6 amendment to the Gloucester County District Solid Waste Management Plan. Approval was only for calendar year 1998. Based on recent developments and proposed new state legislation, the EIC application submitted to the Local Finance Board would need to be modified to reflect:

- forgiveness of zero interest loan, as authorized following a public referendum; and
- elimination of all non-debt service related charges from the EIC formula.

If changes were made to restrict charges to debt service only in addition to the forgiveness of the state zero interest loan, the Authority's EIC could fall to \$13.20, a reduction of \$8.76 per ton, from \$21.96.

The Authority has stopped EIC collection and billing as of early 1999 as a result of the agreement reached with the successful bidder.

**The GCIA does not plan to request an extension to the EIC period beyond its intended termination date of November 31, 1998.**

### **DEBT SERVICE PROBLEMS**

The GCIA has outstanding debt obligations of \$78.6 million related to the landfill project and the solid waste resource recovery facility owned and operated by Wheelabrator Gloucester Company, L.P.

***The Landfill Project bonds*** totaling \$27.7 million are fully secured by revenues of the Authority and by the unconditional guarantee of the County. Annual debt service runs approximately \$3.3 million. The landfill debt also includes a \$5.7 million zero interest loan for which the State has authorized forgiveness. The forgiveness of the state loan will reduce the Authority's annual debt service obligation to \$2.8 million for the years 1998 through 2002.

***The Facility bonds*** totaling \$50.9 million are secured by revenue payments from Wheelabrator and by direct pay, irrevocable letter of credit issued by Fuji Bank. The County is not obligated to make payments on the Facility bonds. Annual debt service is approximately \$6.5 million. The Facility bonds do not impact the financial stability of the GCIA.

The GCIA's solid waste debt (Landfill Project, Refunding Series A & C) was refinanced in 1992 such that it is not eligible for a nontaxable refunding. The Authority was not generating adequate revenues to meet annual debt service obligations on the Landfill Project bonds for which it is responsible. The Authority has stopped EIC collection and billing as of early 1999 as a result of the agreement reached with the successful bidder.

**It is recommended that the GCIA work with the communities to encourage them to contract with the authority for nonprocessible and other waste types not covered by the non-discriminatory bid.**

**As recommended under the section entitled environmental investment charges, the GCIA has successfully developed a number of agreements that should return the Authority to financial stability. The authority discontinued the EIC after December 1, 1998.**

**It is recommended that if the authority determines to reinstate an EIC, they should reduce the current EIC assessment by \$2.36 to reflect the forgiveness of the zero interest loan debt by the State of New Jersey, and limit such a charge to cover the portion of debt that cannot be built into a competitive tip fee.**

## TIP FEE ANALYSIS

The tip fee components before and after the Atlantic Coast decision are as follows:

<b>GCIA (Incinerator Ash)</b>	<b>Pre</b>	<b>Post</b>
Tax Component	\$ 3.20	\$ 3.20
Host Community Benefit	3.95	3.95
GCIA Component:		
Administrative/Operations	33.64	4.99
Debt Service	<u>15.57</u>	<u>13.20<sup>2</sup></u>
SUB-TOTAL	\$56.36	\$ 25.34
EIC Component	<u>0.00</u>	<u>21.96</u>
TOTAL	\$56.36	\$ 47.30

<b>GCIA (Bypass MSW/C&amp;D/Soils)</b>	<b>Pre</b>	<b>Post</b>
Tax Component	\$ 3.20	\$ 3.20
Host Community Benefit	3.95	3.95
GCIA Component:		
Administrative/Operations	33.64	36.01
Debt Service	<u>15.57</u>	<u>13.20<sup>3</sup></u>
TOTAL	\$56.36	\$ 56.36

<b>Wheelabrator (Municipal Solid Waste)</b>		
Host Community Fee	\$ 2.35	\$ 2.35
Landfill Component	19.34	8.87
Wheelabrator Component	<u>79.63</u>	<u>45.14</u>
TOTAL	\$101.32	\$56.36

Following the decision, Authorities across the state reduced their tip fee components. The GCIA followed suit as did Wheelabrator such that tip fee rates dropped by 55% and 44.4%, respectively. Up until 1998, Wheelabrator had relied on a fairly high tip fee to support its expenditure obligations. The competitive market price GCIA is now receiving for ash cannot support historical spending levels such that contributions to debt service reserves have not been maintained. Wheelabrator unilaterally chose to reduce its rate for ash disposal to the GCIA from \$56 to \$25 in an attempt to recover lost revenue from the tip fee reduction outlined above. This is the basis upon which the oral agreement to receive ash between GCIA and Wheelabrator was set that runs through July 1, 1998. The GCIA does not have

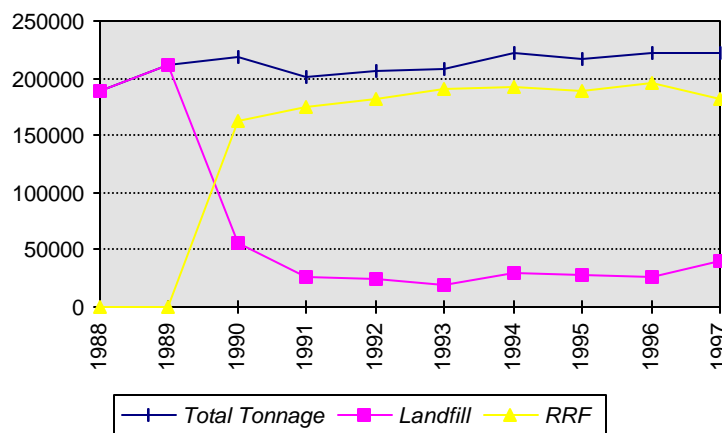
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<sup>2</sup> Reflects deferral of zero interest loan payment of \$500,000.

<sup>3</sup> This debt service charge per ton reflects deferral of \$500,000 annual payment towards the zero interest loan as authorized by the State of New Jersey.

exclusive rights to Wheelabrator's ash such that the Authority had no choice but to accept the reduction in order to guarantee a continuing source of revenue. The GCIA has an agreement with Wheelabrator to guarantee source of revenues.

#### HISTORICAL TONNAGE GENERATED IN GLOUCESTER COUNTY



*NOTE: The 1997 tonnage figure is estimated based on eleven months of actual tonnage data. The GCIA was accepting all categories of trash for a short period of time in November and December of 1997 until the courts enjoined the GCIA from accepting processible trash deliveries to its landfill.*

The above graphic demonstrates a consistent pattern of solid waste deliveries to both Wheelabrator ("RRF") and the GCIA landfill. In 1997, the GCIA attempted, for a short time, to attract municipal solid waste based on the outcome of the Atlantic Coast decision. However, Wheelabrator successfully achieved a court injunction to block the receipt of in-county tonnage at the GCIA operated landfill.

Year-to-date statistics (January through May of 1998) indicate that the Authority is approximately \$500,000 off target for tonnage being received at the landfill. This condition should stabilize with the recent negotiation of short-term tonnage agreements to supply ash for disposal from two sources. The agreement reached by the GCIA will provide sufficient revenues to meet operational and debt service requirements. Revenue from ash deliveries represent the critical area of concern because tonnage is comparable to prior years, however, revenue was significantly down due to the reduction in fees paid by Wheelabrator for disposal. A recent agreement with Browning Ferris in conjunction with American Ref Fuel of Chester, PA for 200 tons per day helped offset some of the lost revenue from Wheelabrator. An agreement with Camden County for additional ash disposal will provide additional revenues.

#### 1997 and 1998 BUDGET ANALYSIS

The GCIA's annual budget, revenues vs. expenditures, for the years 1997 and 1998 are presented on the following table along with proposed amendments and revenue enhancements to the 1998 Budget being suggested by LGBR.

<b>REVENUE TIP FEE</b>	<b>1997 BUDGETED</b>	<b>1998 BUDGETED</b>	<b>'98 LGBR RECOMM. BUDGET</b>
Ash tonnage	\$3,618,592	\$3,674,600	\$2,352,668
Bulky Waste	1,498,020	1,409,000	1,409,000
EIC	0	0	2,565,200
<b>SUBTOTAL</b>	<b>5,116,612</b>	<b>5,083,600</b>	<b>6,326,868</b>
<b>OTHER INCOME</b>			
Interest Income	475,000	475,000	475,000
Financing Income	57,903	57,378	57,378
Miscellaneous	246,240	122,176	122,176
<b>SUBTOTAL</b>	<b>779,143</b>	<b>654,554</b>	<b>654,554</b>
<b>Retained Earnings</b>	<b>879,578</b>	<b>1,721,590</b>	<b>0</b>
<b>TOTAL</b>	<b>7,453,078</b>	<b>7,459,744</b>	<b>6,981,422</b>

<b>EXPENDITURES</b>			
Salaries & Benefits	1,189,520	1,419,253	1,228,029
Operations	2,041,099	1,990,310	1,990,310
Debt Service	3,303,884	3,298,996	2,798,996
Taxes	402,150	240,475	321,100
Restricted Accounts	516,425	510,710	545,960
<b>TOTAL</b>	<b>7,453,078</b>	<b>7,459,744</b>	<b>6,884,395</b>
<b>Difference +/-</b>	<b>0</b>	<b>0</b>	<b>97,027</b>

The assumptions built into the 1998 LGBR recommendation includes:

***Revenue:***

- Only eleven months of EIC can be charged due to the start date of February 2, 1998.
- The EIC has been reduced from \$21.96 to \$13.20 per ton to cover annual debt service costs only to reflect language in proposed legislation.
- Ash fees were dropped to \$25.34 for the first 65,200 tons of ash and the balance of 33,000 tons of new temporary ash contracts (24,000 from Camden and 9,000 from BFI) were billed at \$20 per ton.
- The Authority will begin marketing the financing side of the Authority to attract administrative fees to offset a portion of the operating costs associated with the sale of low interest, non-taxable bonds. These potential revenues are not included in the revenue estimate.

***Expenditures:***

- Reductions in personnel costs proposed by LGBR that reflect only one-half year's savings for 1998 totaling \$191,224.
- Deferral of debt service payment on zero interest loan totaling \$500,000.
- Increase in taxes associated with the receipt of additional tonnage at the landfill totaling \$80,625.
- Increase in charges for landfill closure related to additional tonnage at the landfill totaling \$35,250.

The 1998 LGBR Budget recommendation anticipates that the draw down of retained earnings (budget reserves) will be terminated and that the Authority's chances of regaining its self-liquidating status are very high under either the non-discriminatory bid option or an EIC option if the authority chooses to reinstate such an approach.

## CONDITION OF FUND ACCOUNT BALANCES

The GCIA currently has 26 revenue and expenditure accounts it maintains to meet various obligations of the Authority. The status of those accounts, as of May 31, 1998, is as follows:

FUND/ACCOUNT NAME	AMOUNT	PURPOSE
Revenue Fund	\$667,319.86	Swept to Operating
A Bond Fund	564,189.73	Landfill Debt
B Bond Fund	745.18	Terminated
C Bond Fund	480.52	Zero Interest Loan
Bond Reserve Fund	2,645,263.70	For deficiencies in bond service funds
Operating Fund	\$51,258.36	Commercial Checking Acct
General Fund	.05	Captures overflow of excess funds from bond reserve account
Payroll Account	105,123.95	Trust Acct
Group Medical Insurance Acct	7,491.19	Commercial Checking for Self Insurance Program
Petty Cash Account	490.35	Commercial Checking Acct
Money Market Account	3,983.14	County Development Projects
Rate Stabilization Fund	10,204.79	Drawn against if operating accounts are short
Renewal and Replacement Fund	465,263.78	Trust Acct
Rebate Fund	15,447.04	Arbitrage
Construction Fund	3,996.34	1992 Bond Proceeds
Construction Reserve Fund	1,224,736.82	1992/1997 Bond Proceeds to construct new cell
Landfill Closure Fund	2,269,838.10	Escrow Acct
Interim Cell Cap Fund Account	2,381,255.12	Unrestricted Acct
Alternative Landfill Closure Fund	580,832.48	Escrow Acct for Post Closure
EIC Revenue Account	363,847.85	Escrow Account
Future Development Account	86,484.55	Unrestricted
Donald & Cordelia Battle Acct	970.85	Escrow Acct for Rental Property
Central Account	112,483.53	Swept to Revenue Acct
Commercial Hauler Escrow Acct	81,237.53	Escrow Account
Municipal Voucher Account	168,302.36	Escrow from towns (MSW, non-process)
Convenience Center Account	19,538.67	Escrow from Small Dumpers

The GCIA is currently generating revenue that supports a portion of operations only. The Authority is presently drawing down on two accounts to meet its monthly operations requirements. ***The Rate Stabilization Fund*** was established when the Authority refinanced its outstanding debt in 1992 and

bond proceeds were set aside to retain a long-term stable tip fee. Those monies are almost used up and a second account is now being drawn against to meet cash requirements. ***The Interim Cell Cap Fund Account*** represents reserves set aside to cap each cell as it is completed. This account does not represent a restricted account related to closure and post-closure activity. The GCIA is not strong financially. The excess funds in the various accounts are only temporary and will not offset expenditure obligations indefinitely.

**It is recommended that several improvements be made regarding cash management activities.**

- **The Authority needs to competitively bid its banking services. Currently, some of the smaller accounts are generating interest at 1%. The majority are earning between 4.7% and 8%.**
- **The Authority should consolidate some of its twenty-six accounts to reduce them to a more manageable number that would also allow cash deposits to be invested more efficiently.**

### **PROFESSIONAL SERVICES CONTRACTS**

The GCIA employs professional consultants for a variety of critical services. Those services include:

***Bond and Special Legal Counsel***, Parker, McCay & Criscuolo, provides assistance in the application and filing for bonds and notes of the Authority. The rate of compensation ranges between \$150 and \$195 per hour plus expenses from proceeds of the issue. These services were budgeted at \$30,000 in 1997 and actual expenditures totaled \$244,168.14. The GCIA had the Bond Reserve Fund restructured in 1997, which generated \$118,500 to the Authority's retained earnings.

***Financial Advisor***, Whelan Financial Group, Inc. provides assistance and coordinates the preparation of documents associated with the sale of bonds and notes of the Authority. The Group receives \$10,000 for the first \$10 million and \$1 per \$1,000 over that amount. In addition, the Group would receive compensation ranging from \$35 to \$175 per hour plus expenses for services not involving the issuance of debt. The Financial Advisor's services were budgeted at \$10,000 in 1997 and actual expenditures totaled \$17,198.50.

***Auditor***, Petroni and Associates, is a certified public accountant firm performing professional auditing services for the Authority. Payment for the five year annual audit contract is estimated to be \$22,000 for 1997 and increases by approximately 5% each year. Audits of the Landfill Closure Escrow Fund and Landfill Closure Alternate Fund for the five year contract term will be \$1,000 up to \$1,200, which again increases by approximately 5% each year. Hourly rates for the Auditor and staff range from \$33 up to \$100 which increases by \$3 per hour each year. The Auditor was budgeted at \$17,750 in 1997 whereas actual expenditures amounted to \$19,500. The 1998 Budget increased to \$22,000, which appears to be overpriced, based on the completeness of the final audit and lack of supporting schedules.

***Consulting Engineer***, James C. Anderson Associates, Inc., provides general professional engineering support services to the solid waste authority. Compensation is based on a standard rate schedule that

ranges between \$23 and \$125 per hour. The Engineer was funded at \$70,000 in 1997 and actual expenditures totaled \$109,080.30.

*NOTE: The Financial Officer of the Authority indicated that all over-expenditures associated with professional service contracts are a result of unanticipated legal activity surrounding the lawsuits involving Wheelabrator. The GCIA has lost all but one of its lawsuits against Wheelabrator. 1997 expenditures are a result of both the restructuring of debt and legal discovery related to the lawsuits brought by Wheelabrator against the GCIA.*

**Legal Counsel regarding solid waste regulatory issues,** Capehart & Scathard, provide legal assistance on contractual, personnel, and regulatory issues facing the Authority. Compensation for legal counsel runs up to \$250 per hour.

- It is recommended that each professional service contract be modified to add definitive statements regarding the types and degree of services provided, primarily consulting engineer and legal counsel.
- It is recommended that the authority consider competitively contracting the following services to secure potentially less costly quotes for these activities:
  - 1) Auditing
  - 2) Engineering
  - 3) Legal Counsel
- It is recommended that the authority consider the payment of a retainer to the consulting engineer and legal counsel for basic service provisions to control costs (i.e., regular meeting attendance and travel to these meetings, general advisory phone calls that do not require research, annual engineering inspection services of the authority's solid waste facilities, et al).
- The annual audit submitted by the Auditor should include supplementary schedules that reflect (list not all inclusive):
  - 1) analysis of construction in progress;
  - 2) analysis of budgeted revenues and expenditures compared to actual;
  - 3) cash receipts, cash disbursements, and changes in cash and investment by fund;
  - 4) revenue, expenses, and changes in retained earnings, reserved and unreserved by fund;
  - 5) amounts required by bond resolution be held in reserve;
  - 6) indication of responsibilities of related to deficiency agreement with the county;
  - 7) cash and investments by account; and
  - 8) analysis of accounts payable from unreserved assets.

*NOTE: The annual audit report is seriously deficient in supporting schedules. The cost of the annual audit submitted by the outside auditor is priced too high for the work submitted.*

## **REPROCUREMENT OF DISPOSAL SERVICES**

In an attempt to re-procure the disposal of Gloucester County's solid waste, on February 20, 1998, the GCIA put out a Request for Qualifications for Resource Recovery Services (in accordance with the "McEnroe Act" - P.L. 1985, Chapter 38/N.J.S.A. 13:1E-136 et seq.) and bid specifications for the provision of solid waste services in accordance with the Local Public Contracts Law. In re-procuring the disposal of the County's solid waste, the GCIA is trying to get the best disposal rate available through a non-discriminatory competitive bid process. On Thursday, May 25<sup>th</sup>, Judge Robert E. Francis ruled that the GCIA was allowed to proceed with the re-procurement process against Wheelabrator's attempt to retain the exclusive right to in-county tonnage which they had received more than a decade ago through a non-compete clause with the Authority. Essentially, the Judge determined that the franchise agreement was not valid after a federal appeals court invalidated New Jersey's ability to direct trash to county-owned or county designated facilities.

*NOTE: The McEnroe process involves the following:*

- *proposals received from vendors are reviewed;*
- *vendor designation and contract negotiations follow;*
- *State Agency reviews, public hearings, and approvals finalize the process.*

### ***Bid Specifications for the Provision of Solid Waste Disposal Services***

The bid specifications indicate the following minimum commitments:

- Provide the GCIA with guaranteed minimum daily and annual tons of solid waste Resource Recovery services at the quantity and cost rate negotiated in and for the term of the service contract. The potential maximum quantity of municipal solid waste tonnage to be delivered to a designated facility is 225,000 tons.
- Provide guaranteed disposal of all residuals to the GCIA from the designated Resource Recovery Facility ("RRF") for the term of the contract.
- Provide a backup facility or facilities for transportation, receipt, processing and/or disposal for days when the vendors RRF is not operating.
- Maintain all required permits, licenses, and approvals for the vendor's RRF and disposal facility for residuals for the term of the contract.
- Pay all costs of transportation, operation, maintenance, repairs, capital improvements, overhead, taxes and profit required for vendor's services.

The Authority recently received the bid submittals from two private entities, Wheelabrator Technologies, Inc., and American-Ref Fuel Company out of Chester, Pennsylvania. The Executive Director of the Authority indicated that a decision was targeted for no later than August 1, 1998.

**It is recommended that the Authority complete the re-procurement process with all proper submissions to NJDEP pursuant to McEnroe, and passage of a County Plan Amendment to reflect the re-procurement.**

### **HOST COMMUNITY BENEFIT AGREEMENT**

As a result of there being a GCIA owned landfill within the borders of South Harrison Township, the community is entitled to an economic benefit not less than the equivalent of \$1 per ton of solids of all solid waste accepted for disposal at the sanitary landfill during the previous calendar year (N.J.S.A. 13:1E-28). The following is a synopsis of that agreement.

The Host Benefit Agreement is a result of binding arbitration, which occurred on December 29, 1988. The decision stated that upon commencement of operations of the Resource Recovery Facility (“RRF”) and the disposal from the RRF of ash from the incineration of solid waste, the GCIA will provide a Host Community Benefit of \$420,000 annually to the Township of South Harrison. The Host Community Benefit shall be provided for a period of time during which the Authority actively conducts operations and accepts ash or other waste at the landfill. Payment terminates upon implementation of closure and post closure activities when materials are no longer being accepted at the landfill. The benefit shall be paid in monthly installments of \$35,000. Of the \$420,000 paid annually, \$20,000 shall be deemed a donation by the Authority to the Harrisonville Fire Department and \$5,000 shall be deemed a donation to the Township’s Volunteer Ambulance Service.

**It is recommended, as it is stated in other reports, that the GCIA should undertake all efforts to reduce this payment through negotiations with the Township of South Harrison or transfer this payment to the County or any other third party. If the GCIA could negotiate with the County or another third party to budget this Host Community Benefit, the \$420,000 reduction in the Authority’s budget would result in a reduction of the tipping fee of \$3.95 per ton.**

### **PERSONNEL ISSUES**

From a personnel perspective and operations overview, the following discussion will concentrate on current activity within the GCIA and will address two significant areas, (i) the landfill operation and (ii) the Improvement Authority itself. At the present time, the GCIA is almost totally committed to landfill operations and has nearly ceased its economic development operations. This direction either indirectly imposed or as a matter of occurrence has stalled the development of the GCIA projects within the county and has opened the Authority to criticism of its solid waste operations. We believe the County should actively pursue other directions with the GCIA while legal matters relative to solid waste work their way through the courts. Certainly some of this change could enhance revenue and support administrative functions in a variety of areas currently not available to the Authority. For purposes of this review, we will begin with the Administrative division followed by a review of the operations at the landfill in South Harrison Township.

### ***GCIA Administration***

There are twenty-six employees working for the GCIA, ten are directly related to administration. The authority granted salary increases recently to fourteen employees associated with the GCIA. The most prominent of these positions is that of the Executive Director. The Executive Director's position has seen an increase in salary since 1996, which exceeds 40%. County Officials indicate that they were attempting to bring the Executive Director's salary into line with other solid waste directors based on surveys accomplished by the Association of Environmental Authorities. To date, we have been unable to secure a copy of this survey. The County Freeholders supported this change and sought to hire a professional to meet the demands imposed on the County by the "trash crisis." LGBR questions the timing of this move in the face of debt restructuring, layoffs, legal fees, and negotiation of a union collective bargaining agreement. The Director of the Board of Chosen Freeholders and the County Administrator both indicated that they want the GCIA to develop as the County's economic development engine that provides low cost financing opportunities similar to Camden County's Improvement Authority. The GCIA has approved a salary of \$92,500, or approximately \$127,355 in total salary and benefits, which is up from a rather modest salary of \$65,000 paid to the previous Executive Director. We conclude that this salary increase is not supported by the qualifications of the current Executive Director.

**It is recommended that the Authority restructure the Executive Director's salary to reflect no more than a 10% increase per year over the last two years, thus establishing the salary at approximately \$78,000. This would amount to a savings of approximately \$19,960 in salary and benefit costs for the current year assuming no retroactive changes, or \$.22 off the tip fee.**

In addition to the Executive Director, there are four employees whose salary adjustments have raised issues regarding costs associated with so-called "department heads." The GCIA has acknowledged that certain individuals within its structure recently received compensation in excess of 3% based on comparisons of positions within County government. These positions were identified as department heads within the GCIA. LGBR does not agree that GCIA department heads as defined by the County should be brought into line with their counterparts running things like the County Highway Department. Salary increases should be considered in light of responsibilities, standards, and evaluations as well as individual skills, knowledge, and capabilities. The authority cannot support these increases in salaries due to its financial position. In addition, employees performing tasks under one major operation (i.e. solid waste) are not typically considered department heads.

*NOTE: The salary adjustments for the positions identified above over the salaries authorized in 1996 were:*

- *Recycling Coordinator - 35%*
- *Program Director - 47%*
- *Solid Waste Manager - 20%*
- *Landfill Supervisor - 10%*

**It is recommended that the Authority reduce recent salary increases granted to supervisors and save approximately \$27,196 in salary adjustments alone based on a 6% increase over two years, or \$.30 off the tip fee.**

***Administration (Finance/Solicitors)***

LGBR identified four positions providing financial services at the Authority. LGBR suggests that the Finance Director reduce his staff through the elimination of a Senior Bookkeeper at a savings of \$45,677, including benefits. The proposed structure maintains a Secretary and an Account Clerk who should be sufficient to deal with landfill operations and maintain current financial records and costs based on their current operations.

It is also suggested that both Solicitors be removed from the payroll and compensated via contract instead saving at least \$6,800 in benefit costs on the one solicitor who receives benefits as part of his/her salary compensation. Taken together, the solicitors receive total direct salary compensation of \$78,788. On top of their salary costs, each solicitor's contract stipulates additional compensation based on services not covered as part of their salaries. These hourly fees amounted to \$10,000 for one solicitor and \$20,000 for another in 1997 and 1998. These two solicitors are not necessary due to existing professional contracts for similar services.

**It is recommended that the Authority phase out the need for a Senior Bookkeeper at a saving of \$45,677.**

**Since there appears to be duplication of services, we suggest, removing the two solicitors from the payroll for a savings of \$78,788, or \$.87 off the tip fee. Instead, the GCIA should rely on existing professional service contracts, which are compensated through retainer fees, to provide legal advice.**

**Currently, the Director of Finance is not a fully certified Chief Financial Officer ("CFO"). We believe the GCIA should fully explore the need for such an individual. A seasoned Executive Director with experience in the investment and development area to enhance economic development opportunities could offer considerable assistance to the County and the GCIA and minimize the need for a full-time CFO position.**

### ***Administration (Program Development)***

The GCIA directed the Program Manager position to focus solely on EIC activity and away from developing programs designed to enhance economic development within the County. Since an EIC is no longer a component of the authority's plan, this area should develop as the primary program area of the Authority which has only recently developed a service charge to cover its administrative costs of providing low cost financing for economic development initiatives within the county.

**It is recommended that the Authority restructure the position into a marketer for county business and development. The intent would be to expand economic development opportunities and provide for real growth within the County.**

### ***Administration (Recycling)***

The GCIA houses the recycling operation for the County. It is staffed by a Coordinator, an Assistant Coordinator, and an Enforcement Officer. The County transferred responsibility for recycling and its grant money to the Authority since the initiation of the solid waste program at the landfill. Two of the scenarios that follow this section on personnel regarding the future of the GCIA would remove solid waste operations from the control of the Authority. In these instances, the recycling program would be transferred back to the County for implementation. Under its current organizational arrangement, however, we find the recycling operation to be sufficient. At the present time, the recycling operation maintains an Enforcement Officer to control and monitor recycling quotas and obligations. We believe it could be performed by inspectors of the County Health Department.

**It is recommended that the Authority reduce the recycling staff by elimination of the Enforcement Officer position with a savings of \$37,365, including benefits, or \$.41 off the tip fee, and move responsibility for enforcement to the County Health Department.**

### ***Administration (Enforcement, Environmental Specialist)***

The GCIA had recently separated out the entire enforcement division of the Authority as a result of the Atlantic Coast decision. The Authority then brought back the enforcement personnel in anticipation of re-procurement. However, we recommend that the County restructure enforcement following re-procurement and, therefore, at least one enforcement officer should be retained to continue the limited activity available and also assist with recycling enforcement (remaining grant balances may help to fund this position).

The GCIA employs an Environmental Specialist who is split between office functions of the Authority and the Landfill. Discussions indicate that this position tracks New Jersey Department of Environmental Protection rules and regulations and keeps the Authority up to date on requirements, permits, and legislation designed to affect solid waste activity. We believe the GCIA should transfer this responsibility to the Solid Waste Manager who should have considerable experience in this regulatory area.

**It is recommended that the Authority remove the Senior Enforcement Officer position at savings of \$42,225, including benefits.**

**We suggest phasing out the position of Environmental Specialist and reassigning those tasks to the Solid Waste Manager for a saving of \$50,735, including benefits.**

**This represents a total saving of \$92,960, or a tip fee reduction of \$1.03 per ton.**

### ***Landfill Operation***

In general, the landfill operation simply lacks activity due to litigation, lack of ash, and minimal by-pass activity. Current tonnage figures do not support the staffing level at the landfill compared to other solid waste operations LGBR has reviewed.

**It is recommended that the landfill eliminate at least three laborer positions at a saving of \$85,905, including benefits, and give serious consideration to liquidating much of the equipment and cars which cannot be supported by tipping fees. The actual operation can easily operate with two Equipment Operators and two Laborers. The Mechanic can be retained to handle minor equipment maintenance and repair, but some consideration should be given to outsourcing this activity if tonnage levels do not increase. This represents a possible tip fee reduction of \$.95 per ton.**

### ***SUMMARY***

**The positions recommended for elimination total nine for a saving of \$382,394, including benefits, or \$4.24 off the tip fee.**

## **LOCAL 8-149 OIL, CHEMICAL & ATOMIC WORKERS INTERNATIONAL UNION**

The union contract provides for written evaluations of an employee's performance. LGBR applauds this policy and believes it should be applied to the Authority at large.

Contractual obligations towards pay increases in this contract for those at the landfill seem to be consistent and stay within the CPI limits. The current contract is under negotiation and a new one has not yet been settled.

**It is recommended that the Authority negotiate the restructuring of funeral leave or the three days granted for this leave into medical leave so as not to increase the number of leave days available for illness, funeral, and administrative.**

## **PERSONNEL POLICY MANUAL**

A review of the GCIA's Personnel Policy Manual found that, generally, this manual is one of the best thoughts out policy manuals we have looked at to date. In particular, we believe the sick leave notification policy is excellent and establishes appropriate parameters for all employees.

Some of the provisions in the manual include the following:

- No credit for sick leave shall be granted following termination or retirement.
- Private disability insurance is provided at no cost to the employees which pays 60% of their salaries.
- Written performance evaluations are utilized to validate the issuance of merit raises.
- Payroll settlements appear to be a form of negotiated termination. With the exception of contractual settlements, we do not agree with this form of separation. Contractual agreements should be negotiated with the option for management to have the prerogative to separate an employee for good cause.
- Benefits in general appear to be well structured and not excessive as long as salary increases are kept to CPI standards.

We do not believe savings can be achieved through revisions to the Personnel Manual except for rescission of the disability plan, which we believe is not necessary and can be provided for by the state.

### **LEASE OPERATION OF THE LANDFILL TO A THIRD PARTY CONTRACTOR**

As an alternative to the preceding discussion which would leave operation of the landfill with the GCIA, we suggest the GCIA negotiate with a private vendor through a Request-For-Proposal procedure to operate the facility under a contractual arrangement. This approach is based on the arrangement at the Warren County landfill which is presently being operated by Eastern Environmental. The intent would be to establish a monthly lease payment potentially sufficient to meet the majority of the annual debt service obligation of the Authority. Cost savings in this configuration would be difficult to assess but theoretically, the GCIA would only need to offer oversight through a liaison hired to monitor the landfill operation from the county's perspective.

As displayed on a proposed Table of Organizational Chart, the Authority's staffing would be reduced to the Executive Director, a Program Director, a Finance Director, Landfill Liaison, and two clerical support staff to focus most of their time in economic development. This arrangement ultimately assumes the project is marketable in the private sector despite the non-compete clause and that it can accept non-perishable waste from other sources.

Under this scenario, the debt would be funded through payments made by the third party contractor from tipping fees. Host Community Benefit fees would continue to be paid by the vendor and issues of local importance discussed earlier would need to be resolved with South Harrison Township officials regarding promises made between Authority, County and Township officials.

## **SALE OF THE LANDFILL**

LGBR believes the sale of the landfill may ultimately be a solution to which Gloucester County should give consideration. The Freeholders may wish to propose a market study be put in place to assess the value of landfill assets. This process, once complete, would divest the GCIA of its landfill responsibility and, preferably, most of its debt. The Authority would then focus on its primary mission of generating economic development opportunities within the County.

Cost savings would be significant assuming most of the debt could be retired and salaried positions associated with the landfill released. Please review the Table of Organization on the following page, which highlights the positions remaining with the Authority after the sale is completed. This option leaves a great deal of issues to be resolved including closure, host obligations, long-term planning, litigation from the resource recovery facility, municipal concerns, and cost to county taxpayers under private ownership. The main issue here is to reduce debt payments and to potentially overcome the disadvantages associated with Wheelabrator's non-compete clause. However, the reality is that market economies and free enterprise should help control costs.

The landfill encompasses 420 acres, yet only 54 acres are being used. The Authority's long-term plan was to use no more than these 54 acres for the landfill. The remainder would serve as a buffer. There is no obligation or restrictions on the remainder, such that there is a significant opportunity to be harnessed if the sale were to proceed. In addition, the landfill land is potentially eligible for vertical expansion such that these existing options add significant value and useful life to the landfill.

## **LOCAL GOVERNMENT BUDGET REVIEW TEAM**

James A. DiEleuterio, State Treasurer  
David Mortimer, Associate Deputy State Treasurer  
John J. Coughlin, Director  
Local Government Budget Review  
Jane M. Kenny, Commissioner,  
Department of Community Affairs  
Howard Izes, Bureau Chief of Authority Regulation  
Division of Local Government Services  
Robert C. Shinn, Jr., Commissioner,  
Department of Environmental Protection  
Gary Sondermeyer, Assistant Commissioner,  
Department of Environmental Protection

### **Gloucester County Improvement Authority Team**

William B. Gilmore, Team Leader  
Local Government Budget Review  
Matt DeKok, Local Government Budget Review  
Dave Cockerham, Local Government Budget Review